



Crude prices inch toward \$50 a barrel

By Jane Wardell, Associated Press Writer
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LONDON - Crude futures inched closer to \$50 a barrel Tuesday, settling at their highest level in nearly two months, as traders reacted to reports of a refinery snag and rapid economic growth in China at a time when there is concern about instability in several oil producing nations.

Fears of disruptions to Iraqi oil infrastructure ahead of the upcoming elections and a potential oil-worker strike in Nigeria weighed heavily on the market as OPEC prepared to discuss its output this weekend.

Light sweet crude for March delivery was up 83 cents at \$49.64 a barrel on the New York Mercantile Exchange. Oil futures are now more than 40 percent higher than a year ago.

In London, Brent for March delivery was 95 cents higher at \$46.96 a barrel on the International Petroleum Exchange.

"I think the main catalyst was the China GDP number, which was much higher than expected," said Phil Flynn, an analyst at Alaron Trading Corp. in Chicago. "You've got to remember that one of the biggest reasons the market rallied a year ago was because everybody underestimated China's oil demand."

On Tuesday, the Chinese government reported that the nation's economy expanded at its fastest pace in eight years in 2004, growing at an annual rate of 9.5 percent despite efforts to slow its blistering pace to avert inflation. The figures exceeded economists' forecasts and were well above the official target of 8 percent.

Flynn said energy traders also were talking about a production snag at a ConocoPhillips refinery in Louisiana. Company spokeswoman Lara Dilley said production was down at the 250,000-barrel-a-day refinery due to a weekend fire, though she would not specify by how much nor surmise when output would resume fully.

February heating oil futures rose 2.16 cents to \$1.4248 per gallon on Nymex, where unleaded gasoline futures rose 4.40 cents to \$1.3430 a gallon and natural gas futures fell 7.3 cents to \$6.403 per 1,000 cubic feet.

Flynn said the market could test the \$50 a barrel level on Wednesday, when the U.S. Energy Department releases its weekly petroleum supply report.

Analysts said the weekend cold spell in the U.S. Northeast had a mixed effect on markets. While the snowstorm increased demand for heating oil, the freeze on transportation networks weakened demand for transportation fuels.

In Nigeria, oil unions refused to retract a strike threat after talks with Labor Ministry officials, but said meetings aimed at averting the work stoppage in the world's seventh-largest crude exporter would continue Wednesday. The unions initially said they would launch a regional strike Monday in and around the southern Niger Delta oil hub of Port Harcourt after two executives from drilling firm WASCO ignored the unions' ultimatum demanding they leave the country.

OPEC ministers, meantime, are scheduled to meet Jan. 30 to discuss whether additional production cuts may be necessary. Some members have suggested, however, that the current high prices might mean that the group may not cut output quotas, easing the market slightly.

OPEC agreed in December last year to cut production by 1 million barrels a day starting this month to bring output closer to 27 million barrels a day. The group is eager to avoid an excessive stock build during the second quarter, when demand ebbs after the northern winter.

AP Business Writer Brad Foss in Washington contributed to this report.